

October 20, 2000: Commission Recommends SEC Investigate Sinopec's Disclosure of Interests in Sudan

FOR IMMEDIATE RELEASE

October 20, 2000

Contact:

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The U.S. Commission on International Religious Freedom today wrote to the U.S. Securities and Exchange Commission (SEC) to recommend the SEC investigate "the accuracy and adequacy of material disclosures by the China Petroleum & Chemical Corporation (‘Sinopec') in its registration statement" about its holdings in Sudan. The Commission has found religion is a major factor in the 17-year war being waged by the government of Sudan against Christians and animists in the south. Revenue from oil production is the government's principal source of funds for the war in Sudan, and the Commission found that foreign corporations, including Chinese petroleum companies, are vital investors in the Sudanese oil industry. The text of the letter follows:

October 20, 2000

David B. H. Martin, Esq.

Director

Division of Corporation Finance

U.S. Securities and Exchange Commission

Washington, D.C. 20549

Re: Recommended Investigation Of China Petroleum & Chemical Corporation ("Sinopec")

Dear Mr. Martin:

The United States Commission on International Religious Freedom recommends that the SEC investigate the accuracy and adequacy of material disclosures by the China Petroleum & Chemical Corporation ("Sinopec") in its registration statement, in light of recent media reports about its holdings in Sudan. This recommendation is made pursuant to section 202(b) of the International Religious Freedom Act of 1998, 22 U.S.C. 6432(b).

This Commission is charged with the authority and responsibility to investigate religious persecution abroad and to recommend to the U.S. Congress, the President, and the Secretary of State how United States foreign policy could advance international religious freedom. The Commission has found: that religion is a major factor in the genocidal war-making of the Government of Sudan ("GOS") against its southern residents; and that revenue from its oil production is the principal source of funds for the prosecution of the GOS's civil war. The Commission also found last fall that foreign corporations, including Chinese petroleum companies, are vital investors in the Sudanese oil industry.

On the eve of this month's initial public offering of Sinopec shares, the Wall StreetJournal reported on October 11 that a

Sinopec subsidiary (Zhongyuan Petroleum Corporation) had a joint venture in Sudan's oilfields with a unit of China National Petroleum Corporation (CNPC); that last summer Sinopec gave its entire interest in the Sudan venture to CNPC, the chief shareholder of its chief domestic rival, PetroChina, Ltd.; that it has not disclosed the value of any assets from CNPC in return for this transfer; and that there is evidence that Sinopec's subsidiary continues to do business in Sudan's oilfields.

If true, this report would suggest that Sinopec's prospectus has a material omission rendering it misleading: Nowhere does it disclose any assets or operations in Sudan. The prospectus cryptically mentions that on June 3, 2000, its parent, Sinopec Group Company, "transferred to us certain operations, consisting principally of, various overseas investments . . ." Prospectus of China Petroleum & Chemical Corporation, October 12, 2000, p. 175. But in the absence of any other information in the prospectus, a prospective investor is led to believe that these "overseas investments" are not the wells in Sudan's Block 6 oilfield, but rather "16 residential and office units located in various buildings ... situated in Hong Kong, Macau, Republic of Singapore, and the United States of America." Prospectus, Annex B, p. B-10.

American investors who may be considering investing in Sinopec may consider it material to their investment decisions to know whether the registration statement of Sinopec is adequate and accurate in its disclosures about that company's possible ongoing business interests in Sudan.

Therefore, the Commission recommends that the SEC determine whether Sinopec has accurately and adequately disclosed its interests in Sudan. While we understand that the SEC generally does not discuss specific disclosure or enforcement views with respect to a specific registrant, the Commission nevertheless requests, pursuant to section 203(b) of IRFA, 22 U.S.C. 6432a(b), that the SEC provide the Commission with the results of any such investigation.

Thank you for your consideration of our recommendation and your cooperation with our information request.

Sincerely,

Elliott Abrams

Chairman

Hon. Elliott Abrams, Chair

- Dr. Firuz Kazemzadeh, Vice Chair Rabbi David Saperstein Laila Al-Marayati, M.D. Hon. John R. Bolton Dean Michael K. Young Archbishop Theodore E. McCarrick Nina Shea Justice Charles Z. Smith Ambassador Robert Seiple, Ex-Officio Steven T. McFarland, Executive Director